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# The Federal Green Plan:

## Assessing the "Prequel"

*by*

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*Federal environment discussion paper fails to live up to expectations*

*Through the vehicle of its paper,* A Framework for Discussion on the Environment, *the federal government has invited public participation before tabling its promised* Green Plan *this autumn. While the federal paper contains some sensible features, the document as a whole falls as resoundingly between stools as it possibly could. It neither informs people sufficiently about a manageable menu of issues nor leads the debate in a sufficiently constructive way. In preparing its* Green Plan, *the government will need to consider seven key imperatives about environmental policy. These include a good sense of where progress has already been made, the need for the greater relative use of market- or incentive-based approaches to pollution control, and the continuing vital role for informed government regulation. At the same time, different kinds of criteria are required for improved democratic consultation and negotiation in setting standards, for reform of the cabinet decisionmaking process, and for the critical but underemphasized role of environmental monitoring and information. The government will also have to set concrete priorities as to which environmental problems should be tackled first. Canadians are ahead of their politicians in wanting solutions to these problems, but they do not agree on Canada's environmental priorities.*

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In the movie business, it is difficult to get the sequel to be as good as the original. In politics, it is the "prequel" — the consultative discussion paper — that is the ultimate art form. The federal government's paper, *A Framework for Discussion on the Environment*, is the precursor to its promised *Green Plan* commitments on environmental policy.

How much does this "prequel" lead and inform? How much does it tantalize? How much should it reveal? How can one tell whether or not it is good? Could any 40 Canadians, selected at random from across the country, have produced a better document?

First, though, make those 40 citizens federal cabinet members, put them to work for three months (with advisors), and tell them they must agree on an environmental policy document for Canada. Then give them the latest opinion polls showing environmental concerns at the top of the priority list. But tell them there is a $30 billion deficit and that a possible recession is looming.

What kind of discussion document would this hypothetical alternative cabinet have written? The answer is that while some differences would arise, the basic dilemmas would be the same.

You cannot cast two much in stone lest your critics call you arrogant and undemocratic. If the document is too vague and general, you will be pronounced guilty of a lack of leadership and of running away from your previous, high-sounding commitments.

The dilemma is that the federal cabinet, like the country as a whole, is composed neither of environmentalists nor of capitalists with production plants belching toxic poisons into the air. Rather, it is composed of persons from the great in-between. The fact is that environmental issues really do require radical changes in behavior, lots of money, sophisticated scientific and technical capacity, and immense amounts of political goodwill. Above all, they require decisions as to what to do first. Canadians may be well ahead of their politicians in their concern about the environment, but they do not agree on what to do about it. As always in politics, the real problem is over means, not ends.

Given these wide-ranging criteria for the critics of policy "prequels", what does the environmental critic do? The answer is: Tell the reader broadly what the document says, and indicate what you think it should have said, or said better, to lead, educate, and seek consensus among Canadians about the environmental imperative. That is the purpose of this *Commentary*.

## The Federal Government's Green Message

The consultation paper released by the Minister of the Environment is in many ways a straightforward, sensible document (see Box 1). It commits the federal government to the goal of ensuring "that the activities of businesses, individuals, communities, and government are consistent with the concept of sustainable development" — development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

The paper's discussion of environmental issues is organized into three sections. The first sets out the nature of the environmental challenge, including its global scope, its relationship to Third-World development and poverty, and the need for revolutionary changes in behavior by Canadians at home and at work. The second section focuses on the need for improved decisionmaking, which is discussed in terms of factors that affect decisionmaking, changes in decisionmaking processes, and strengthening partnerships. The third and longest part of the paper examines substantive areas of environmental action classified into five types of problems: environmental stresses, such as toxic substances and waste management; the global commons — global warming, acid rain, and so on; renewable resources; ecological and heritage resources, such as national parks and wildlife; and protecting the Arctic environment.

**Box I**

***The Contents of the Federal Government's Discussion Paper***

**Understanding the Challenge**

*Global Scope*

*The Fight Against Poverty*

*Canadian Dimensions*

**Improving Decisionmaking**

*The Basis For Action*

*Three Steps to Changing Decisionmaking*

- Factors That Affect Decisionmaking
- Changing Decisionmaking Processes
- Strengthening Partnerships

**Action on Environmental Issues**

*A. Environmental Stresses*

- Toxic Substances
- Waste Management
- Environmental Emergencies
- The Health Dimension

*B. The Global Commons*

- Atmospheric Change:
  - Global Warming
  - Ozone Depletion
  - Acid Rain
  - Air Quality and Toxic Air Pollutants
- Water

*C. Sustaining Our Renewable Resources*

- Agriculture
- Forests
- Fisheries

*D. Preserving Ecological and Heritage Resources*

- National Parks and Historic Sites
- Wildlife

*E. Protecting the Arctic Environment*

Sprinkled throughout the document are numerous questions on environmental issues that the government wants Canadians to think about (I counted 32, others have found as many as 40). The government appears to be contemplating about four new statutes as well as numerous new programs. The problem with the questions is that, for consultation purposes, there are too many of them and they are too lacking in focus. And some important questions have not been asked.

For example, the paper asks: "How can governments best work together to identify priorities and address needs?" and "Should the Government emphasize compliance or enforcement?" Its last question, quite ironically set on a page entitled "postscript," asks: "Given the reality of budget constraints, how can we achieve our environmental objectives?"

Thus, even while recognizing the undoubted difficulties of setting and discussing environmental agendas, the discussion paper seems too often to fall as resoundingly between stools as it possibly could. It neither informs people sufficiently about a manageable menu of issues nor leads the debate in a sufficiently constructive way. The question then is: What should that menu of issues be? In the remainder of this *Commentary*, I attempt to set out several imperatives of environmental policy, referring to the government's discussion paper where appropriate and pointing out where it has and has not handled the issue properly.

## Environmental Lessons: A Sense of the Past

One of the failings of the discussion paper is that it is virtually ahistorical: there is little sense, even briefly stated, of what has been achieved in the past and what lessons have been learned. The paper, in my view, should have taken into account at least four features of Canada's environmental policy legacy in order to provide benchmarks for future action.

The first point is that considerable progress has already been made in improving air and water quality in several areas. This has

been done without a concerted national mobilization of commitment and will. Much of this was achieved with one burst in the early 1970s, at the dawn of the modern era of environmental concern. Governments and, to some extent, the population as a whole then settled into a state of policy inertia. The point to stress here is that much more environmental progress can be made fairly quickly if there is a concerted national effort to do so.

The second policy legacy is that Environment Canada's scientific and technical capacity to support its regulatory role has been allowed to atrophy, particularly under budgetary restraints. Indeed, it was never strong to begin with. Environment Canada's regulatory regime was not so much "command and control" as "command and exhort". And yet, it is absolutely essential for the government to have this good technical capacity if it is to play any sensible regulatory role.

The third policy legacy is a process that came into being imperceptibly during the 1980s. This was the development of improved cooperation and understanding between the many environmental and business groups. In the 1970s, these interests were content to fire shots across each others' bows. In the 1980s, they began to talk to each other in more serene and constructive ways. Through consultative vehicles such as the Niagara Process in 1984, the 1986–87 National Task Force on Environment and Economy, the Energy Options review process, the Northern Conservation Task Force, the National Forest Strategy, and recent federal and provincial environmental roundtables, an environmental policy community has clearly begun to emerge and mature. This has required the acquisition of mutual forms of ecological and economic literacy in both erstwhile camps. But this quiet, behind-the-scenes progress has also led to raised expectations, especially among environmental groups, that action will now be taken.

A final policy legacy — more accurately, a political-economic legacy — is the growing recognition that economists are right when they view pollution as an inevitable consequence of human activity linked to the three phases of life itself: the harvesting of energy and material inputs; their processing and transformation; and the return of energy and materials to nature in new forms. (For a discussion, see Arlon Tussing, "Environmental Policy Issues: Market Failure in the Third Phase of Economic Activity," in *The Environmental Imperative: Market Approaches to the Greening of Canada*, edited by G. Bruce Doern [Toronto: C.D. Howe Institute, 1990], chapter 4.) Economists point out that it is only in the third of these, which is likened to the "third phase of economic development" that Western societies have failed to apply the basic institutions and concepts of liberal, democratic, market economies. In short, the ownership of assets is unclear, their uses are unpriced or underpriced, and markets are lacking. The more this situation continues to prevail, the less likely it is that environmental progress will occur.

Given that the Mulroney government's agenda over the past six years has been favorable to market approaches, deregulation, and privatization, it is somewhat surprising that the federal paper leaves further consideration of these issues until after the *Green Plan* is published.

## The Greater Relative Use of Market Approaches

The market-approach imperative refers to the need to rely relatively less on so-called command-and-control regulatory approaches and more on devices such as pollution taxes, subsidies, and tradable pollution permits to implement environmental policy. While more Canadian experience is needed with such devices, there is no doubt in my mind that these — along with a continuous appeal to environmental values — are the key to changing Canadians' behavior in a sustained way.

For me, however, the most convincing case for these approaches does not flow from some simple ideological preference for markets. Rather, it is based on what I like to call the

"bottom-up" mapping of the environmental policy terrain.

Consider any single product's evolution through the production cycle of a modern economy beginning, say, with its extraction as a mineral from the ground, through its transformation to an intermediate product, its transportation to numerous sites, its further transformation into further end products, and, finally, to its sale to millions of consumers. Multiply this 100,000-fold to encompass a multiple-product economy. Add to this an accurate spatial sense of reality — that is, hundreds of water basins and thousands of air quality areas. Finally, add the adjoining products, sites, and areas of other countries.

One requires little imagination to see that environmental policy seeks to change human behavior at literally tens of thousands of sites where wastes or residuals occur. No behavioral change of this magnitude is possible through regulation alone, or even through an appeal to altruistic values — though both of these are also essential to success. The federal paper discusses market incentives, but not in a sufficiently concrete way so as to let people know what these incentives are and what their strengths and limitations might be.

I am referring here to a *relative* shift. If, over the next decade, Canadian governments took 1,000 decisions to improve the environment, three-quarters of them would have to involve the use of incentive approaches. The other one-quarter would still be command-and-control actions.

## The Role of Command-and-Control Approaches

Environmentalists deserve most of the credit for putting and maintaining environmental issues on the political and economic agenda. They are a vital part of the political equation.

But it is frequently true that *some* environmental groups are also command-and-control addicts. At times, they come perilously close to preferring as their main indicator of policy success the number of corporate executives they can put in jail, rather than how much the environment is improved. At other times, they seem to wish to prevent, instantly and indiscriminately, any economic activity that might produce waste. What, then, is the appropriate role for command-and-control approaches?

Some of the opposition to market approaches arises simply out of a lack of sufficient understanding and dialogue as to how these might work in practical situations. But opposition also stems from a sense of moral outrage or a belief in the unfairness of given pollution situations. This can easily translate into opposition to capitalism or business in general. Still other resistance arises from the fact that too many Canadian laws are more accurately labeled as "command" but "no control". They adhere to what one wag referred to as the "Gabby Hayes theory of regulation": polluters are not so much bitten by tough regulations as they are "gummed."

As I stressed earlier, the choice is about a *relative*, not an *absolute*, shift in preferred and needed policy instruments. A vital element of command and control is still needed in any future scenario. Indeed, those economists who are among the most ardent advocates of market approaches know that incentives will only work if tough, scientifically valid emissions standards are established first. Too many exemptions given to old polluting plants, or unclear definitions of property rights, will render many market-based approaches less and less useful.

Since government as regulator can never police all the thousands of sites where environmental behavior must change, it must confine itself more to, and become especially good at, defining overall standards of performance. But this must be based on first-class scientific advice and extensive public consultation with all the interests involved.

## Consultation and Negotiation in Setting Standards

If government is to be good at determining emissions standards — its vital role in the

environmental issue — then its "commands" must be legitimately arrived at. The key feature of environmental policy in the 1990s will be battles over means, rather than ends. Thus, the process of setting standards — nationally, provincially, and locally — must become more democratic and consultative in nature. Again, although the federal paper recognizes these realities, it tends to speak quite loosely of "partnerships," rather than to lay out clearly how decisionmaking processes are, in fact, likely to have to change.

How "tough" these standards are — in short, how much and how quickly pollution must be reduced — will depend on three tests of the decisionmaking process itself. One test will be scientific and technical. Setting standards involves scientific and technical judgments, which, by their nature, are bound to be controversial. Accordingly, a key problem will be how to separate genuine scientific disputes — where "causal knowledge" is truly uncertain —from those involving special interests — where scientists are hired guns whose role is to disguise economic disputes. The designers of hearing and decision processes will have to pay more attention to how such disputes can be aired more fully and openly.

The second test will be the degree to which the decisionmaking process is politically transparent in allowing special interests to participate. The more closed it is, the more deservedly suspect will be its decisions. In the short term, the process likely will, and should be, slowed, because of the ingrained character of environmental decisions. Not only will it be necessary to determine in a practical way just what sustainable development means in any particular situation, but detailed discussions will be needed to design the appropriate policy instrument packages. Since such packages could involve an array of devices — fees, pollution permits, taxes, standards, memorandums of agreement — they will need proper arenas for consensus building.

A third test for decisionmaking will involve the allocation of risks between generations. While many areas of public policy must deal with intergenerational issues, there is a special dimension to this task in environmental policy, because irreversible damage can occur unless action is taken sooner rather than later. A related limitation to purely economic notions of valuing the future is the issue of whether other forms of life have rights.

## Cabinet Decisionmaking Processes

Another key issue is the extent to which the federal cabinet can begin to make environmental policy decisions that are anticipatory rather than reactive. In particular, should the cabinet decisionmaking process be governed by statutory requirements for environmental assessment — that is, should the principle of environmental assessment apply not only to large projects but also to all policy choices? Environmental interest groups regard this statutory reform of the cabinet process as a key litmus test in the federal government's promised *Green Plan*.

Not surprisingly, the Ottawa bureaucracy is resisting this idea, on three grounds. First, some line ministers and departments are opposed simply because it would sacrifice their policymaking independence and discretion on the altar of sustainable development — a policy value whose meaning in practical situations is unclear, or which they perceive will be at odds with their departmental priorities. Second, departments such as Finance and Industry, Science and Technology are resisting in part because they fear that it would lead to demands that would deflect attention away from the primary economic challenges facing Canada — such as the deficit and economic competitiveness in the wake of free trade. Third, the Privy Council Office argues that one cannot have a law on a cabinet-wide basis that somehow purports to tell cabinet members what to take into account in making decisions. According to this argument, one might then equally have laws forcing the cabinet to give primacy to regional values or to efficiency and "value-for-money" criteria.

My view is that statutory entrenchment of some kind is unlikely to occur or to be necessary. It would, however, be possible for cabinet documents to contain environmental sections to nudge environmental concerns into a more regular stream of consciousness for cabinet ministers and senior officials. It may well lead to some *pro forma*, ritualistic environmental assessments. Equally, however, it should help kick-start the cabinet and senior bureaucrats into developing environmental habits as a forethought, rather than an afterthought, in the policy-formulation process.

## Environmental Monitoring and Information

It would be ironic if, in the year 2000, after a decade of cooperative and decisive environmental action, Canadians still had no practical way of knowing whether their environment was, in fact, greener. This paradoxical possibility is not at all unlikely. The reconciliation of the economy and the environment depends on continuous monitoring, testing, and information activities. In the short term, these are needed just to determine the magnitude of the problems. In the longer term, they are essential as a form of sophisticated feedback and as a way to build confidence that we are actually getting somewhere.

At one level, government recognition of this need is evident in the increasing prevalence of environmental annual reports and audits. But at another level, governments are often quite cavalier about this fairly inexpensive need, in the form of short-sighted attitudes and actions toward environmental science, especially its relatively unglamorous monitoring and testing aspects. Such "temperature taking" requires a steady, long-term commitment of resources and work, but it is the kind of area in which cost-conscious governments like to make budget cuts. Yet, without such work, we will scarcely be able to know what we have done in the name of environmental reform. This informational need extends, incidently, to basic environmental accounting to complement or amend the traditional national accounts data. This need has long been recognized but progress is painfully slow. This is an area where a few dollars, relatively speaking, can go a long way.

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## Setting Environmental Priorities

The federal paper asks what priorities ought to be set for the 1990s, but it makes little attempt to establish what might be the relevant criteria. The best way to think this key issue through is to go through the following exercise. Assume you are the federal Minister of the Environment, and that you will have the job for five years. Assume (optimistically) that you will have about $2 billion of public money to spend or invest, and that you want to influence triple that figure in private-sector spending on pollution control over your five-year mandate. What will your priorities be, and what criteria will guide your choice? What would you say in

your maiden speech to the House of Commons? If you did not want to say it in public, what notes would you make to yourself on this issue as you sit contemplatively at your desk?

The contending criteria are numerous. Do you pick a particular hazard, such as acid rain or nuclear waste? Do you pick hazards linked to industries that are important high-employment, high-value-added engines of the Canadian economy? Do you look at the measurable consequences of the costs imposed on alternative users and of the costs avoided by regulating performance rather than regulating detailed production designs? Do you pick hazards or pollutants that are regionally balanced? Do you pick problems that rank high in public opinion polls? Do you pick those that threaten the health of the largest number of Canadians? How much money should go into prevention rather than cures or clean-ups?

The government must make some effort to be more explicit as to why it chooses certain priorities over others. Even then, priorities will not be always "chosen" as such. Rather, they will be brought into being by economic and political interests through overt decisions and through pressures to postpone action, or not to act at all.

This discussion by no means exhausts the variables inherent in the task of successfully greening Canada. Federal-provincial and international cooperation and competitiveness warrant equal attention. Nonetheless, if these imperatives begin to be addressed intelligently and democratically, there is a reasonable chance that an environmental-economic reconciliation can occur. It is certainly not a stark choice between markets *or* the state. Rather, as always, it is a matter of all interests' recognizing what balance of tasks between the state, society, and the economy will get the job done.

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